

Fix is hard for Medicare, Social Security finances

By TOM RAUM – 2 days ago

WASHINGTON (AP) — There is no easy fix.

Medicare and Social Security will go broke sooner rather than later because of the recession. With millions of baby boomers beginning to leave the work force, the cost of these popular benefit programs threatens to swamp the government in debt in the coming years if nothing is done.

Congress and the White House are under increasing pressure to find a solution.

One proposal gaining steam is a creating bipartisan commission to tackle the approaching insolvency of the government's three big "entitlement" programs: Social Security, Medicare and Medicaid.

Everything would be on the table, including tax increases and benefit cuts. The commission would produce a "grand bargain" package of recommendations that Congress could accept or reject in total.

It's the same process the country has used since 1988 to handle military base closings, where the single take-it-or-leave-it vote provides a measure of political cover to lawmakers.

President Barack Obama has said that action to overhaul Social Security and other guaranteed-benefit programs is critical. But top aides are cool to the commission idea for now, wanting Congress to deal first with the president's ambitious health care and global warming initiatives.

The commission idea is being resisted by House Speaker Nancy Pelosi, D-Calif., and some influential committee leaders who see it as an end run around the normal legislative process.

"The fact that the leadership has been opposed to it has been a problem," said Rep. Frank Wolf, R-Va., one of two original authors of the commission bill in the House. Still, Wolf said in an interview, "There's an economic tsunami off the coast and it's ready to wipe us out."

Wolf also introduced the measure in the last Congress but failed to interest either President George W. Bush or then-Treasury Secretary Henry Paulson.

In a letter Friday to Obama, Wolf raised the prospect that the nation's coveted triple-A bond rating, which it has held since 1917, may be jeopardized if Congress doesn't act soon on shoring up Social Security, Medicare and Medicaid.

Financial markets were rocked last week when Britain was warned by Standard & Poor's Ratings Service that debts it had incurred in trying to dig out of its economic crisis could result in the loss of its triple-A rating. The threat of a downgrade could signal similar problems for other big

economies — particularly the United States, whose finances has been hit just as hard. The White House said it did not expect the U.S. government's credit rating to be cut.

Wolf joined with Rep. Jim Cooper, D-Tenn., a member of the fiscally conservative Blue Dog Coalition, which has long pushed for a Social Security overhaul. A similar bill is being pushed in the Senate by Sens. Kent Conrad, D-N.D., and Judd Gregg, R-N.H., the chairman and senior Republican on the Senate Budget Committee.

"We cannot allow this issue to be kicked down the road any further," said Conrad.

A similar proposal is being pushed by Sens. Joseph Lieberman, the Connecticut independent, and Sen. George Voinovich, R-Ohio.

The bills would create a panel to examine the country's fiscal crisis and come up with a plan to bring revenues and expenditures into balance for Social Security, Medicare and Medicaid. Spending on these three programs now totals more than \$1 trillion a year, almost one-third of the entire federal budget.

Social Security has often been called the "third rail" of American politics — so electrically charged that touching it can be life-threatening to political careers.

Neither raising payroll taxes on current workers nor cutting benefits for the nation's elderly has much appeal to politicians. That's why it's so hard to put Social Security and Medicare on firmer financial footing.

"What's missing here is not ideas, it is political will," said House Majority Leader Steny Hoyer, D-Md., one of a growing number of lawmakers hopping aboard the commission idea. He suggests Congress could begin debating the commission legislation later this year.

Federal overseers said this month that the Medicare fund will be depleted in 2017, just eight years from now and two years earlier than estimated just a year ago. The Social Security trust fund will be exhausted in 2037, four years earlier than predicted a year ago.

People are living longer, which adds to the costs. Some 80 million baby boomers — born from 1946 to 1964 — will become eligible for Social Security and Medicare benefits over the next two decades.

Prospects for establishing an entitlement reform commission may not be great now, but should improve once the economy improves and Congress can turn its attention away from bank bailouts and stimulus spending, said David Walker, president of the Peter G. Peterson Foundation. The group, which promotes fiscal responsibility, is a strong supporter of the commission approach.

He said that while Britain may be ahead of the U.S. in facing a possible credit downgrades, "we may be headed in the same direction unless Washington wakes up and starts making tough decisions."

A bipartisan commission chaired by Alan Greenspan in 1983 made a set of recommendations — accepted by Congress and President Ronald Reagan — to head off a looming crisis in Social Security. It pushed the day of reckoning decades ahead by increasing Social Security taxes, cutting some benefits and raising the age for retirees to start collecting full benefits.

The late Sen. Daniel Patrick Moynihan, a New York Democrat, was co-chairman of a panel created by Bush in 2001 to review Social Security and suggest ways to shore up its finances, including partially privatizing the system.

Bush ignored most of the commission's work but latched onto its call for allowing younger workers to set up personal investment accounts to invest in the stock market and made it part of his 2005 effort — which failed — to overhaul the system.

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